Weekly Economic Review

New migrants drive population growth

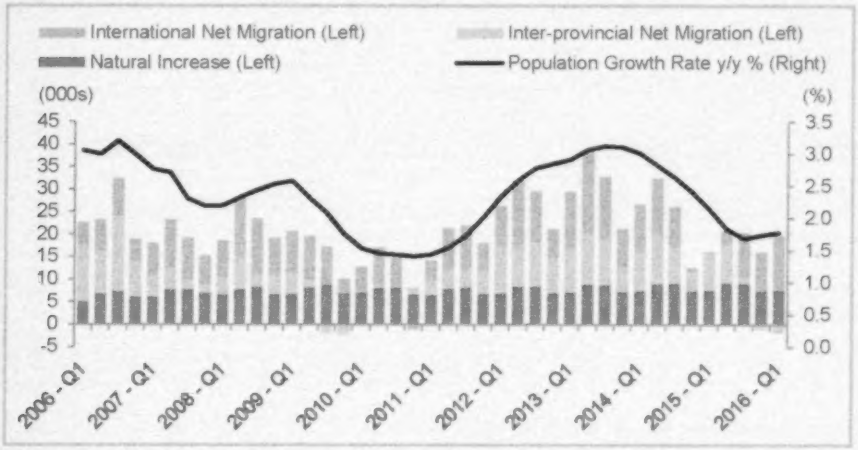
Population

International migration hits record high as inter-provincial outflow persists

As of April 1st, 2016, Alberta's population was estimated at 4,249,842, up 1.8% from a year earlier. Despite leading the Canadian average (1.1%) by over half a percentage point, this was the slowest year-over-year (y/y) growth since 2011 as net outflows of interprovincial migrants dampened record setting immigration (Chart 1).

Chart 1: International migrants have been key drivers of population growth

Alberta components of population change



Source: Statistics Canada

Chart 2: Resale market increasingly balanced

Alberta existing home sales, new listings and sales-to-new-listings ratio

Source: Canadian Real Estate Association

Net international migration increased by 12,050 despite the continued net outflow of non-permanent residents. Amid the deteriorating economic situation, net interprovincial migration fell for a second-straight quarter, with a net outflow of 1,788 people. For the first time in over six years, Alberta had the largest net outflow of interprovincial migrants among the provinces. Despite the inter-provincial outflow, total net migration accounted for over half of population growth in the past quarter.

Resale Housing

No reprieve in resale activity

There were 4,282 existing home sales across Alberta in May, a 2.7% decline from April. The monthly downturn adds to earlier weakness and has pushed down resale activity by 15% on a year-over-year basis. Apart from slight improvements in Calgary and Lloydminster, resale activity in all other parts of the province dwindled. There were no sales in Fort McMurray due to the wildfire and evacuation. The number of new listings fell to 8,195, helping to push the sales-to-new listings ratio up over 3 percentage points to 52.3% despite the lower sales volume (Chart 2); the rising ratio indicates that resale market has become more balanced over the past few months. The average resale price across Alberta increased to $392,817, though it was still down by $2,685 from May 2015. Year-to-date, existing home sales were down 10.2%.

Consumer Price Index

Inflation rate still somewhat low

Alberta consumer prices were up 1.5% year-over-year (y/y) in May. Households are still enjoying low energy prices (-5.6% y/y) though rising gasoline prices have started to limit the benefit. A soft housing market has weighed on

shelter costs, especially for rental units (-1.0% y/y). Conversely, transportation (+2.4% y/y), health and personal care services (+1.7% y/y) and alcoholic beverages and tobacco prices (5.1%) have risen. The weakened Loonie is continuing to boost consumer prices for categories with high import content such as food (+2.0%). However, fruit and vegetables prices fell markedly, reversing earlier inflation for fresh greens by eight percentage points - from 7.7% y/y in April to -0.3% y/y (Chart 3).

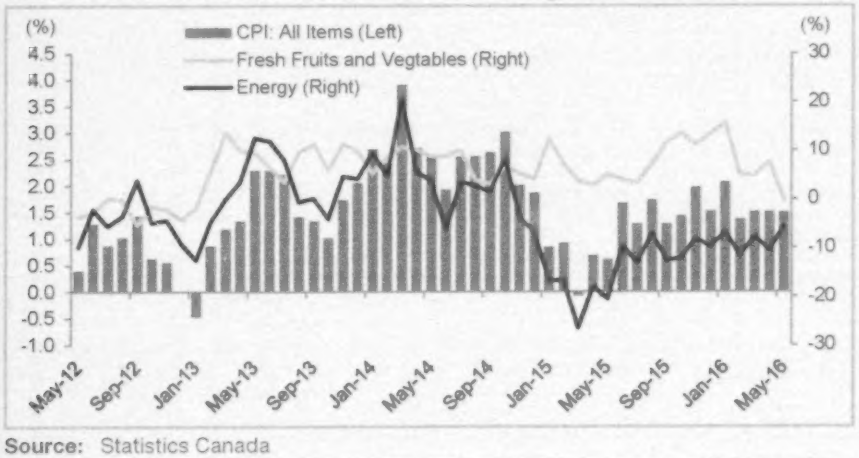
Manufacturing Shipments

Residual weakness outweighs monthly uptick in manufacturing

After hitting the lowest level in nearly six years during February, the value of manufacturing shipments increased for a second-straight month in April, up 3.5% to $5.1 billion (Chart 4). Petroleum and coal shipments showed signs of improvement, as did machinery manufacturing, while food manufacturing fell for a second straight month. However, compared with the previous year, manufacturing activity was down 12% due to relative weakness in both energy (-13% y/y) and non-energy products (-11% y/y). Machinery shipments (-46% y/y) remain especially hard hit. Despite the gains in April, manufacturing shipments have been struggling since the onset of the current oil price shock and remain down 15% year-to-date.

Chart 3: Low Loonie and energy prices have offsetting effects on CPI

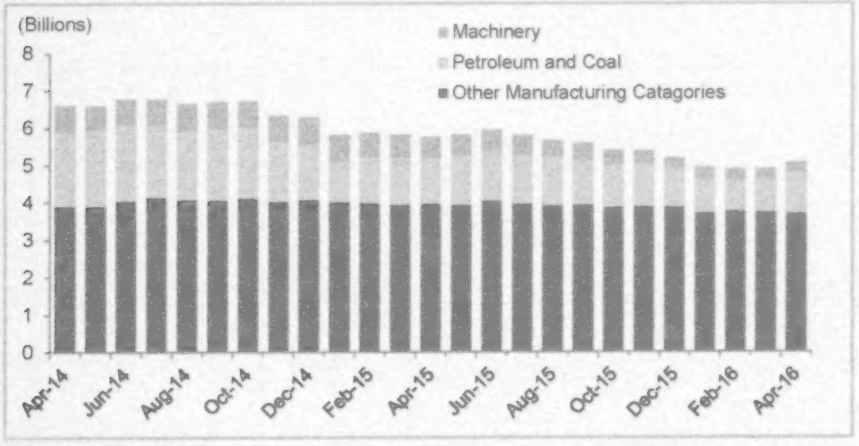
Alberta Consumer Price Index and select sub-categories



Source: Statistics Canada

Chart 4: Persistent weakness afflicts manufacturers despite monthly uptick

Alberta manufacturing shipments



Source: Statistics Canada

New Motor Vehicle Sales

Vehicle sales relatively low for April

Albertans purchased 20,465 new motor vehicles in April. However, residual weakness over the past year is still weighing on vehicle sales (-9.1% y/y) and the monthly figure was the lowest volume of sales during April since 2011. Trucks (including SUVs and vans) accounted for seventy-eight per cent of monthly sales, but remain down 7.2% y/y. Car sales were also down 15%y/y.

US Retail Sales

Consumers continue shopping

US retail sales increased for a second-straight month, up by 0.5% in May. Gas stations sales led the way on account of higher gasoline prices (2.1% m/m). Other retailers that also experiencing rising receipts included automotive dealers, sporting goods stores, books and music and clothing apparel retailers. Excluding gasoline and motor vehicles, sales were up by a more modest 0.3% m/m. Consumer sentiment declined slightly in June after a sizable spike in May. Despite the small dip, consumer confidence remains around its highest level in seven years.

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.